

DECISION MEMORANDUM

**TO: COMMISSIONER KEMPTON
COMMISSIONER SMITH
COMMISSIONER REDFORD
COMMISSION SECRETARY
LEGAL
WORKING FILE**

FROM: TERRI CARLOCK

DATE: FEBRUARY 18, 2011

**RE: RURAL TELEPHONE COMPANY'S REQUEST FOR AUTHORITY
TO BORROW \$728,700; CASE NO. RUR-T-11-01**

Rural Telephone Company (Rural, Company) requests authority to borrow no more than \$728,700 from the Rural Utilities Service (RUS). The proceeds of the loan will be used to meet the 25% match of funds to extend broadband infrastructure equipment to rural areas under the American Recovery and Reinvestment Act of 2009. Rural qualified for a RUS Grant of \$1,700,300 under the Broadband Initiative Program.

The Grant and Rural matching funds will be used to extend ADSL2+ services to North Fork, Tuscarora and Jarbidge service areas in Elko County, Nevada. These new facilities will be interconnected to Rural's Idaho telecommunications facilities with approximately 2.4 miles of fiber. The facilities constructed in Nevada will be booked to the Nevada operations and the Loan will be repaid from revenues generated by Nevada operations. Some Idaho customers may also benefit from the upgrade by freeing up capacity on an Idaho-based switch serving Idaho customers.

The borrowed funds will be secured by a Loan/Grant and Security Agreement and Rural's pre-existing Mortgage. The interest rate will be at the Treasury Rate for comparable maturities at the time advances are made. Advances may be taken for a period of three years. The maturity of the loan will be 19 years after the last advance.

STAFF RECOMMENDATION

Staff recommends approval of the loan request. The plant facilities and associated expenses will be booked to the Nevada jurisdiction with loan payments and expenses recovered

from the Nevada operations. Staff believes Rural's operations and the collateral are adequate so Idaho customers will not be negatively impacted. Staff recommends the Close Out Report to RUS and all supplemental close out reports for the project be filed with the Idaho Public Utilities Commission when completed.

COMMISSION DECISION

Should the Commission authorize Rural Telephone Company to borrow no more than \$728,700 from the Rural Utilities Service?

Should Rural be directed to file with the Idaho PUC the Close Out Report to the RUS?

Terri Carlock

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